



# Los Angeles County AUDIT COMMITTEE

Louisa Ollague, Chair  
1<sup>st</sup> District  
Lori Glasgow, Vice Chair  
5<sup>th</sup> District  
Dorinne Jordan  
2<sup>nd</sup> District  
Genie Chough  
3<sup>rd</sup> District  
Carl Gallucci  
4<sup>th</sup> District

## MINUTES

March 18, 2010

Chair Louisa Ollague called the meeting to order at 10:35 a.m. in Conference Room 525, Kenneth Hahn Hall of Administration.

### Committee Members Present

Louisa Ollague, Chair, First District  
Dorinne Jordan, Second District  
Genie Chough, Third District  
Carl Gallucci, Fourth District

### Committee Members Excused Absence

Lori Glasgow, Vice Chair, Fifth District

## APPROVAL OF FEBRUARY 18, 2010 MINUTES

On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the minutes of February 18, 2010 were approved.

## OLD BUSINESS

**On motion of Chair Ollague, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed the following reports:**

- Reminder to Review Board Policy No. 9.110 Sunset Review Date (E Verify) (10/10/08)
- Review of Board Policy No. 5.070 – Multi-Year Services Contract Cost of Living Adjustments (04/01/97)
- Audit of the LA County Regional Park & Open Space District Year Ended 6/30/09 (2/4/10)

**On motion of Chair Ollague, seconded by Genie Chough and unanimously carried, the Committee continued the following items to its April 15, 2010 Audit Committee Meeting:**

- Proposed County Vehicle Policy – Revised (11/10/09)
- Revised - Proposed Policy on Retention of Contractor Employees for Security Service Contracts (02/22/10)

Lori Glasgow was not in attendance and was involved in both items therefore the items were continued.

## BOARD POLICIES

**On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee approved the following Policy:**

- Review of Board Policy No. 5.110 – Contract Language to Assist in Placement Activities (2/24/10)

Henry Lucio, Department of Human Resources, reported that DHR follows the Civil Service process governing the order of layoffs. When workforce reduction is required and there is a tie in determining who is to be laid off, the Civil Service guidelines rules to consider the performance evaluation.

### **REPORTS TO BE RECEIVED AND FILED**

**On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee received and filed the following reports:**

- Department of Health Services' Community Health Plan Financial Audit for Years Ending June 30, 2007 and 2008 (02/11/10)
- Fiscal Year 2009-2010 Cash Flow Projection (02/16/10)
- Financial/Compliance Audits of 2007-08 Countywide State Grants (02/17/10)
- Audit of the Los Angeles County Flood Control District for the Year Ended June 30, 2009 (02/17/10)
- Treasurer's February 3, 2010 Cash Count (02/24/10)
- Los Angeles County Internal Investigations (02/25/10)
- David and Margaret Youth and Family Services - A Department of Mental Health Service Provider (03/09/10)
- Status on Common Subject Search for Investigations (3/10/10)

**On motion of Chair Ollague, seconded by Genie Chough and unanimously carried, the Committee continued the following items to its April 15, 2010 Audit Committee Meeting:**

- Sheriff's Department – Inmate Welfare Fund Financial/Compliance Audit (02/26/10)
- Clontarf Manor, Inc. Contract Compliance Review - A Department of Mental Health Service Provider (02/26/10)

Don Chadwick, Auditor-Controller, reported the Audit Division has worked closely with the Department of Mental Health to rectify serious issues with the contractor. A meeting is scheduled with DMH and County Counsel to review all the findings and address the contractor's appeal. The contractor was audited for the first time; Clontarf Manor has financial problems and provides inadequate public service.

- Department of Consumer Affairs Internal Control Certification Program Follow-up (3/1/10)

### **OTHER BUSINESS**

Internal Audit Standards and Draft Audit Division Charter (02/11/10) - Jim Schneiderman's, Auditor-Controller, PowerPoint presentation defined the purpose, authority, and responsibility of the Audit Division and its charter. Government Code Section 1236 requires all county employees who conduct audits shall conduct their work under the general and specified standards prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. The Los Angeles County Department of the Auditor-Controller audit standards are taken from the Institute of

Internal Auditors' International Professional Practices Framework (the Red Book). The presentation was on the Definition of Internal Auditing, Codes of Ethic, Independence Standards, Proficiency Standards, Managing the Internal Audit Function and other Standards. The new required audits are IT Governance, Risk Management and Ethics. The Audit Division is having difficulty identifying an agency to conduct a peer review for FY 2010-2011. A meeting is scheduled in April 2010 to discuss a peer review by San Francisco City/County Auditors.

(Carl Gallucci joined the meeting.)

**Following discussion, on motion of Dorinne Jordan, seconded by Genie Chough, and unanimously carried, to approve the use of the International Professional Practices Framework manual (the Red Book) and the updated Internal Audit Charter as the standards for the Auditor-Controller Audit Division.**

Pending Audits/Monitoring Reports – There was none.

Fiscal Year 2009-2010 Cash Flow Projection (1/14/10) – John Naimo, Auditor-Controller, distributed a Chief Executive Office Memo addressed to the Board of Supervisors on the impact Governor Schwarzenegger's recently signed bill, ABX8 5. The bill will enact a cash flow management plan to authorize the State Controller, the State Treasurer, and the Director of Finance to defer payment to counties in FY 2010-11. The deferral will affect the Highway Users Tax Account (the Road Fund) which at this moment would not slow down any of Public Works programs; Mental Health Services Act (the Special Fund) which may be deferred the whole year without any impact; and the Foster Care et al, Medi-Cal Administration and CalWorks et al (the General Fund) if given adequate notification the County would be better prepared to determine how the programs will be affected than if it would receive a registered warrant. Plans to issue Tax and Revenue Anticipation Notes for this year have begun.

By the end of June 30, 2011, the projected trends are indicating a negative cash flow. By June 30, 2010, the cash flow will be \$220-\$230 million but the trends for the past 3 to 4 years have indicated the cash flow decreases about \$500-\$600 million a year. When the County balance is negative there is a legitimate internal borrowing source which covers any temporarily negative balances which is comprised of departmental deposits awaiting allocations into the department's revenue stream; and the property taxes collected that have not been apportioned. The Anticipation Notes are issued to fill a revenue gap between July 1<sup>st</sup> and until property tax payments are received. The notes are priced in mid-June and are issued July 1<sup>st</sup> to be sold for \$1.5 billion or more depending on how much is needed to fill the cash flow gap.

(Maria Olms joined the meeting.)

In response to Chair Ollague, the rating agencies on Wall Street reviews the overall fund balance, its changes from year to year, the amount of fund balance in reserve and to what extent the County has to use amounts of the fund balance in the current year to close any gaps. Wall Street frowns upon applying one-time monies for ongoing programs. The concern is the County's budgeting problems may down grade rates for upcoming long term bonds issuances for capital construction projects.

Protocols for FY 2009-10 CSS WIA Monitoring Reports (discussion) - Don Chadwick, Auditor-Controller, shared the Committee's concerns about the criminal clearance checks and performance measurements with the Community and Senior Services Department. As a result, CSS has discontinued criminal clearance checks for agencies that are not governmental entities or provide services to youth. Also, WIB, Workforce Investment Board, will be responsible for monitoring individual contractors' performance measurements for CSS instead of the Audit Division. Furthermore CSS will issue more directives and offer more guidance when identifying systemic problems based on the audit reports and periodically, the Audit Division will attend joint meetings with CSS to interact with WIA contractors and address questions. Lastly, WIA audits for FY 2009/2010 are being conducted; the audit reports will be submitted to the departments however a summary will be given to the Board of Supervisors. Any outstanding findings will be reported to the Committee immediately. In addition, the Committee will receive a summary of the most recent WIA audits on June 30, 2010. The final report will be available in October 2010.

Sunset Reviews (discussion) – There was none.

### **PUBLIC COMMENT**

There was none.

### **MATTERS NOT ON THE POSTED AGENDA (TO BE PRESENTED AND PLACED ON THE AGENDA OF A FUTURE MEETING)**

There was none.

### **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 11:40 a.m.

### **Others in Attendance**

Maria Oms, Auditor-Controller  
Judi Thomas, A-C  
Don Chadwick, A-C  
Jim Schneiderman, A-C  
John Naimo, A-C  
Elaine Boyd, A-C  
Kris Kademian, A-C  
Michelle Day, A-C  
Susan Kim, A-C

Martin Zimmerman, Chief Executive Office  
Frank Cheng, CEO  
James Hazlett, CEO  
Amanda Drukker, County Counsel  
Chhaya Chhith, DHR  
Helen Lee, DHR  
Henry Lucio, DHR  
Sandra Sims, DHR  
Yolanda Young, ISD

### **Staff**

Lee Millen, Board of Supervisors  
Nyla Jefferson, Board of Supervisors